MOBILEHOME PARK RESIDENT OWNERSHIP PROGRAM
REQUEST FOR PROPOSALS (RFP)

JUNE 2000

A. INTRODUCTION

The Department of Housing and Community Development (HCD) is pleased to announce that it is accepting proposals for funding under the Mobilehome Park Resident Ownership Program (MPROP). Senate Bill 574 (Chapter 473 of 1999) specified additional uses of funding resources for MPROP. MPROP is now able to provide financing for mobilehome park resident organizations, nonprofit organizations and local public entities who wish to purchase mobilehome parks and convert them to either resident ownership or ownership by a nonprofit organization. The purpose of SB 574 as established by the State Legislature, is "to encourage and facilitate the conversion of mobilehome parks to resident ownership or ownership by qualified nonprofit housing sponsors or by local public entities, to protect low income mobilehome park residents from both physical and economic displacement, to obtain a high level of private and other public financing for mobilehome park conversions, and to help establish acceptance for resident-owned, nonprofit-owned, and government-owned mobilehome parks in private market".

In accordance with SB 574 and the program regulations currently adopted (Sections 8000, et. seq.), the maximum total funding amount for one park is $1,000,000. Approximately $12 million is currently available for new loans, of which $2.4 million is reserved for projects in rural areas, as defined by Health and Safety Code Section 50101. In the event there is an inadequate number of rural projects the department may allocate these funds to non-rural projects. There are three types of loans: short term conversion loans (interim financing), long term blanket loans (permanent financing for the purpose of achieving affordable housing costs for low-income residents), and long term individual loans for low-income residents to purchase an ownership interest within their park. All loans are three percent (3%) simple interest.

Please be advised that HCD will be proposing changes to the existing MPROP Regulations to reflect previously approved statutory changes and SB 574. Other proposed changes will include allowing HCD to establish maximum loan limits for any single project (this would delete the $1,000,000 limitation) based on the amount of funds available and the anticipated demand for funds. Copies of the proposed regulations are expected to be available upon request shortly. The Department will receive public comments on the proposed regulations and still anticipates subsequent changes.

Application deadlines for this RFP are specified in Section B. Each application for a loan commitment shall be made jointly in accordance with Section C. of the Application Procedures and in accordance with MPROP's existing regulations.

The Department recommends that applicants consider the use of contract consultants and other professional services to assist them in the process of purchasing a mobilehome park. The process is complex and requires a high level of expertise. Limited technical assistance from the Department is available for potential applicants.

B. LEGAL AUTHORITY

The Mobilehome Park Resident Ownership Program is authorized by Chapter 11 of Part 2, Division 31 of the Health and Safety Code (Section 50780, et. seq.), implemented by the regulations set out as Subchapter 13, Chapter 7, Part 1, Title 25 of the California Code of Regulations, (Sections 8000, et. seq.). The regulations that are applicable at this time are dated November 25, 1985. A copy of the regulations currently active and the enabling legislation that includes SB 574 are included in the application package. A copy of the proposed regulations demonstrating the changes under consideration in strike out and underline will be available upon request.

Interested applicants are encouraged to review the MPROP statutes and regulations that are contained in the application package. The Department reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of this RFP. If any of these actions should occur, the Department will provide as much advance notice as possible to parties on the MPROP mailing list.

C. APPLICATION PROCEDURES AND SCHEDULE

One original and one copy of the completed application must be received in the MPROP office by Friday, September 1, 2000 at 5 p.m. The original application and any authorizing resolutions must have original signatures of the applicant and co-applicants. Applications will be accepted only during the application period, and may not be added to in any substantial manner after its submission.

All proposals must be made on the May 2000 application form and must be complete and legible. An application deemed illegible, incomplete or ineligible will be rejected, and the applicant will be notified in writing of the reason(s) for this determination. A separate application must be submitted to the Department for each project. To request an application package, please contact the MPROP program secretary at the telephone number or address below.

Department of Housing and Community Development
Division of Community Affairs
Mobilehome Park Resident Ownership Program
P.O. Box 952054, MS 390-5
Sacramento, CA 94252-2054
Telephone: (916) 445-0110
Email: Kelly Whitaker

D. DESCRIPTION OF FUNDING PROCESS FROM RFP TO PROJECT COMPLETION

Applications that are complete and eligible will be rated by staff according to the criteria set forth in Section I of this RFP. Generally, staff will recommend awarding the full amount of funds available in priority order based on the rating score, with rural projects competing only against themselves for 20 percent of these funds.

Applications for projects in non-rural areas that receive less than 60 percent of the available rating points will receive a negative staff recommendation, regardless of the availability of funds. Similarly, applications from projects in rural areas that receive less than 50 percent of the available points will also receive a negative recommendation. The recommendations of staff will be presented to the Department's Local Assistance Loan and Grant Committee. Copies of the staff recommendation will be distributed to the co-applicants prior to the Committee meeting. The Committee will consider applications and will make recommendations to the Director. The Director will approve, modify, or disapprove the Committee’s recommendations. The Director's approval of a project constitutes a conditional commitment.

After Director approval, a contract (the Standard Agreement) between the co-applicants and HCD is prepared. This contract will contain the conditions that must be satisfied prior to the closing and funding of the MPROP loan(s). Standard conditions, if applicable, include:

1. If individual interest in a corporation or lots are to be sold, achievement of specified minimum presale or membership purchase requirements that includes two-thirds of the total individual interests in the park must be sold or under contract of sale prior to the closing of any MPROP loan. Long-term leases may not be substituted for sales to meet this requirement.

2. Verification that park residents are not being displaced, through rent increases or other means, in accordance with the anti-displacement guidelines detailed in the MPROP application package.

3. Verification of the adequacy of the collateral securing the Department’s loan(s). Typically, this means an appraisal or appraisals ordered by the Department and paid for by the borrower(s) from their own funds (with possible reimbursement from loan proceeds at closing).

4. Approval of a Phase I toxics report, and any follow-up studies indicated as prudent by the Phase I. Payment for these items will need to be made in advance of the closing.

5. Execution of loan documents as required by the Department, including: a) a promissory note or notes evidencing the Department’s loan(s); b) security documents as necessary to secure the Department’s loan(s), and c) where a blanket loan is being made to either a resident organization or non-profit purchaser, a regulatory agreement governing the operation of the park for the term of the MPROP loan. The regulatory agreement, and all trust deeds, will be recorded against the borrower’s interests.

6. Issuance of a title insurance policy or policies insuring the Department’s security interest(s). The applicants may pay for this policy from loan proceeds.

7. Approval of all project costs, and of the terms, conditions and documentation for all sources of funds to be used to defray these costs.

8. Approval of a first year operating budget.

9. For subdivision projects, approval of a replacement reserve study performed in accordance with the requirements of the Department of Real Estate.

10. Approval of an Assistance Analysis Chart detailing each recipient's MPROP assistance, their incomes, their housing costs prior and after park acquisition, the amount of their loans, and related information.

11. Approval of the property management company that will manage the park upon loan funding, and of their contract and management plan.

12. Verification that the park and any homes occupied by the recipients of MPROP assistance complies with the Mobilehome Parks Act (Title 25).

13. If any rehabilitation or construction work is planned in connection with the conversion, approval of the scope of work, detailed budget, construction contractor and the construction contract documents.

14. If loans to individual residents will be made, approval of a third-party loan originator, and of their contract.

15. Approval of all professional services contracts entered into or to be entered into in connection with the conversion.

16. Approval of the organization's organizational documents, resident lease agreements, and other legal documents as specified by the Department. If required by the Department, issuance of an opinion of the Borrower's counsel addressing such legal issues as specified by the Department.

17. Verification of hazard, liability, flood and fidelity insurance coverage in accordance with Department requirements.

18. Verification that all required governmental approvals have been received, including, as applicable, approvals by local planning agencies and the State Department of Real Estate or the State Department of Corporations.

E. ELIGIBLE APPLICANTS

Applications must be made by a mobilehome park resident organization, a local public entity or a qualified non-profit corporation.

<u>Resident organization:</u> In the case of a resident organization is the applicant with a local public entity as the co-applicant, the resident organization must: 1) have no less than two-thirds of the resident households in support of the project purchase at the time of application as a well as at the

time of funding, 2) be a legally recognized entity; 3) be able to enter into a contract; and 4) be capable of suing or being sued.

Qualifying nonprofit corporation: In the case where a qualifying nonprofit corporation is the applicant with the residents (resident participation) as the co-applicant, the nonprofit must meet the statutory definition for a qualifying nonprofit corporation as defined in Section 50781(k). In addition, the nonprofit must assure resident participation by either resident representation on the board of directors of the entity that acquires the permanent ownership of the park or by establishment of a permanent resident advisory board (Code Section 50785(a)(5). The nonprofit must also demonstrate that 1) two-thirds of the resident households are in support of the project purchase at the time of application and at the time of funding, 2) the nonprofit is a legally recognized entity; 3) it is able to enter into a contract; and 4) it is capable of suing or being sued.

Local public entity: In the case where local public entity is the applicant with the residents (resident participation) as the co-applicant, the entity may be a city, county, housing authority, redevelopment agency, community development commission, or other governing body as defined in Health and Safety Code Section 50079. In addition, the local public entity must assure resident participation by either resident representation on the board of directors of the entity that acquires the permanent ownership of the park or by establishment of a permanent resident advisory board (Code Section 50785(a)(5). The local public entity must demonstrate that 1) is a legally recognized entity; 2) it is able to enter into a contract, 3) it is capable of suing or being sued, 4) two-thirds of the resident households are in support of the project purchase at the time of application. In accordance with Health and Safety Code Section 50786.5, commitments to local public entities that have subdivided or intend to sell individual interests may be funded upon demonstration of a simple majority of households acquiring their interest in the park.

The governing body of the applicant must authorize, by resolution, participation in the program and submission of the application. The original resolutions must be submitted with the application itself. No exceptions will be made to this rule.

F. ELIGIBLE PROJECTS

The project must ultimately result in ownership by either a resident organization or by a qualified nonprofit corporation. Interim ownership by a public entity is limited to three years, and up to six years with special circumstances based on Health and Safety Code Section 50784(b). Both a local public entity and a qualified non-profit applicant must show that the park will contain at least 30% low-income residents. Parks owned by resident organizations must have at a minimum of one low-income resident.

Either a subdivision must be created with at least two-thirds of the residents purchasing their individual (condominium or planned unit development) interests, or ownership will be held by a resident organization, a qualifying nonprofit corporation, or a local government entity (for a limited term) that will hold title by fee interest or long-term leasehold interest in the park's real property.

Loan commitments made to resident organizations on behalf of the residents (individual loans) may be made to parks that have already converted or plan to convert to resident ownership. Loan commitments made to resident ownership organizations (blanket loans) can be made to parks that have converted or plan to convert to resident ownership. Program loan commitments to local public entities or qualifying nonprofit corporations (blanket or individual loans) must be obtained prior to the acquisition of the park.

At the time of application to the department, the applicant must have site control such as an executed contract to purchase or an executed irrevocable option agreement. The mobilehome park may include manufactured homes, mobilehomes, recreational vehicles, or factory-built housing, or a combination thereof.

G. ELIGIBLE BORROWERS AND RENTAL ASSISTANCE RECIPIENTS

MPROP may provide conversion and/or blanket loans to eligible resident organizations, qualifying nonprofit corporations or local public entities. MPROP may also provide individual loans to eligible lower-income residents.

To be eligible to benefit from an MPROP blanket loan or to receive an individual loan, a resident household must: 1) reside in the mobilehome park as the household's principal residence at the time the application is submitted; 2) have a gross income which is not greater than the lower-income limits for the county in which the park is located, and which are listed in the application package and can be found at http://housing.hcd.ca.gov/hpd/hrc/rep/state/incNote.html; 3) demonstrate that the household's monthly housing costs upon completion of the resident park purchase would exceed 30 percent of the household's gross monthly income without program assistance; and 4) have made a reservation for assistance.

H. LOAN TYPES

Conversion loans provide interim financing to resident organizations, qualifying nonprofit corporations, or local public entities with a three-year maximum term. The maximum loan amount is 95 percent of the conversion costs attributable to the low-income residents of the park, or such lesser amount as required for project feasibility. The maximum loan-to-value ratio (counting senior debt and the MPROP loan) is 100 percent. Eligible costs include: 1) the park acquisition cost; 2) loan origination, appraisal, and inspection fees, and other related financial costs; 3) title and escrow fees; 4) legal and other professional fees; 5) relocation costs; and 6) park rehabilitation costs. Monthly payments of interest only are required during the conversion loan term unless the Department approves an alternative repayment schedule.

Blanket loans provide long-term financing to resident organizations or non-profit corporations that purchase parks without subdividing them. The maximum loan-to-value ratio (counting senior debt as well as the MPROP loan) is 100 percent based on an appraised value of the park; however, the actual loan amount is determined by the percent of low-income spaces in the park. MPROP requires the loan amount to be limited to 50 percent of the costs that can be attributable to the number of low-income residents in the park. This amount may be increased to a maximum amount of 95 percent of the costs attributable to the low-income residents in the park providing that the applicants can demonstrate that they have been unsuccessful in obtaining other financing for the purchase and that the project would not be feasible without MPROP.

Blanket loans may be used for the following eligible costs: 1) to repay a conversion loan; 2) to establish operating reserves; 3) to provide long-term financing for a project; 4) to supplement other public or private financing; 5) to enable low-income residents to obtain individual interests; and 6) to enable low-income residents to remain in the project.

The organization must establish a program of assistance to direct the benefits of a blanket loan to low-income residents. This may include rent subsidy program and/or internal loans from the organization to eligible lower income households. The net present value of the benefits that low-income residents will receive should equal or exceed the blanket loan amount. Points are awarded based on how well the MPROP funding is utilized.

Blanket loans have monthly payments amortized over a maximum 30-year term. If necessary, alternative repayment terms may be approved if necessary to achieve affordable housing costs for low-income residents. A third party entity must certify the eligibility of the low-income residents who benefit from the blanket loan. Typically, this third party is a local governmental entity, which either performs the certifications directly or contracts with a private firm to do so.

Individual loans provide long-term financing to low-income residents. They are only available to eligible lower income residents in parks that have received an MPROP loan commitment. They are not available to the public at large. Loan amounts may not exceed 95 percent of the acquisition costs (including closing and financing costs) of a lot or other individual interest in a mobilehome park, or such lesser amount as required to reduce the borrower's housing costs to an affordable level (no less than 30 percent of income).

MPROP is designed to fill the gap between the private financing that residents can afford and 95 percent of the costs of purchasing their individual interests. Potential MPROP borrowers are expected to secure loans from private lenders in the maximum amount that they qualify for, up to an amount that results in their paying at least 30 percent of income towards their housing. If the lender offers them less than the amount applied for, they are expected to accept this offer. If they have recently refinanced their homes, they must apply any cash taken out towards their purchase in their space (If necessary to consummate the purchase of their individual interests, housing costs up to 40 percent or the amount they were paying prior to conversion will be allowed).

Borrowers of individual loans shall have no less than five percent equity in the collateral securing the loan. Collateral includes the lot or other individual interest and may also include the mobilehome. Individual loans have monthly payments amortized over a maximum term of 30 years unless, in order to achieve affordability, the Department approves alternative repayment terms. Such alternative terms will require payments to the extent that the resident can afford them. They may require periodic (e.g., every five years) verification of income to ensure that borrowers still qualify. Loans to individuals are due on sale, transfer or non-occupancy of the MPROP borrower(s).

I. RATING CRITERIA

The following is the application rating criteria and the maximum score applicable to each. Details on how each criterion will be applied are also included.

Criterion	Maximum Score
Financial Feasibility and Loan Security	30
Project Cost	25
Efficiency of Use of Program Funds	20
Organizational Capacity	20
Avoidance of Displacement	15
Project Support	15
Speed and Ease of Conversion	10
Below Market Financing	10
Affordability for Low-Income Residents	10
Security of Tenure	5
Local Housing Programs	5
Under-Served Areas	5
Resident Owned Parks	5
Total Possible Points	175

Minimum Required for Positive Recommendation:

Non-Rural Areas (60% of Total Possible) 105

Rural Areas (50% of Total Possible) 87

<u>Criteria Application</u>

(The text in bold is a summary of criteria specified in the program regulations. Please consult the regulations if you would like more details. The bracketed numbers refer to the particular regulation sections to consult for this purpose.)

1. Financial Feasibility and Loan Security [§8014(a)(8)]. Maximum score: 30 points.

This criterion encompasses the financial feasibility of the conversion itself, the long-term financial viability of the park, and security of the MPROP loan(s).

Subdivided Parks

In parks that will be subdivided, indicators of the financial feasibility of the conversion that will be evaluated include:

- The proportion of surveyed residents who indicate that they intend to purchase their subdivided interest at the projected price.

- The extent of lender interest in providing financing.

- The proportion of residents who appear to qualify for private financing, based on an analysis of individual resident characteristics, such as incomes, existing indebtedness, and home values, and the quality of this analysis.

Indicators of long-term, post-conversion financial viability and MPROP loan security include:

- The strength of the local market for subdivided mobilehome interests, as measured by price trends, marketing time, sale rates, number of homes for sale, and similar factors.

- The potential competitiveness of the park within the local re-sale market. Factors to be analyzed include space prices, location, park amenities, and coach occupancy and sale rates.

- The amount of debt and equity that will be junior to the MPROP loans, in proportion to the amount of MPROP funds. The higher the proportion of junior debt and equity, the better.

The need for MPROP conversion financing (blanket loan funding prior to the subdivision). If project feasibility hinges on the subdivision occurring, applications requesting conversion financing will receive low scores.

Non-Subdivided Parks

In parks that will not be subdivided, indicators of the financial feasibility of the conversion that will be evaluated include:

- The proportion of surveyed residents who indicate that they intend to purchase their interests at the projected price, to the extent that such purchases are essential to project feasibility.

- The extent of lender interest in providing supplemental financing, and the status of the lender's processing. Firm commitments not subject to major conditions, of course, provide the strongest evidence that financing will be available in the amount required.

Indicators of long-term, post-conversion feasibility and MPROP loan security include:

- The strength of the local market for mobilehomes, as measured by price trends, marketing time, sales rates, number of unsold listings, and similar factors.

- The competitiveness of the park within the local market. Factors to be analyzed include space rents (including an imputed amount for any share or membership purchase costs), location, park amenities, and indicators of market activity, such as mobilehome marketing time and occupancy and sale rates.

- The anticipated marketability of the share or membership interests. MPROP has observed that residents in parks with high share values (generally over $5,000 to $10,000) have recently experienced significant difficulty selling their shares. Unless the local resale market for such high value shares can be clearly demonstrated, applicants proposing this structure will receive low scores.

- The terms and conditions of other financing, and especially financing that will be senior to the MPROP loan. Fixed rate financing is preferable to variable rate financing. Balloon payments prior to the maturity of the MPROP loan are generally unacceptable, as is senior seller financing.

2. Project Cost [§8014(a)(10)]. Maximum score: 25 points.

Two measures of cost will be calculated: total per space development costs, and per space soft costs (costs other than acquisition and rehabilitation). Projects with lower costs will receive higher scores. Total per space development costs will be adjusted to reflect local market conditions using median home sale prices, as reported by the California Association of Realtors (See "Project Cost Adjustment Factors" below for further details).

3. Efficiency of Use of Program Funds [§8014(a)(9)]. Maximum score: 20 points.

Efficiency will be judged by the proportion of low-income residents currently in the park and the amount of MPROP funding per low-income resident.

4. Organizational Capacity [§8014(a)(4)]. Maximum score: 20 points.

MPROP will evaluate the capacity of the organization and the proposed property management agent to manage the park once it has been converted. Factors that will be considered when evaluating the organization include:

- The business experience and expertise of individual board members and the extent of their involvement with the park conversion.

- The long-term availability of professional assistance related to management issues.

- The unity of the residents, and the presence of any opposing factions.

Management firms will be evaluated primarily based on their experience with mobilehomes and MPROP.

The capacity of the conversion team (developer, conversion consultant(s), residents, and loan originator, if applicable) to complete the conversion will also be evaluated. This evaluation will focus on the prior conversion experience of the team members, and especially experience with MPROP projects.

5. Avoidance of Displacement [§8014(a)(2)]. Maximum score: 15 points.

The maximum score will be awarded to projects that will fully and clearly comply with the Department's relocation guidelines, or provide a specific, detailed alternative plan that ensures that residents will not be displaced. Lower scores will be awarded where the plan for avoiding displacement is unclear, inaccurate, not specific, or lacks adequate supporting documentation

6. Project Support [§8014(a)(9)]. Maximum score: 15 points.

Both resident and local government non-financial support will be evaluated. Resident support will be gauged by (a) the proportion of surveyed residents who indicate their support for the conversion, (b) the proportion of surveyed residents who indicate their interest in purchasing ownership interests, where these interests will be sold, and (c) the presence or absence of any faction opposition groups to the conversion. The presence of an organized faction opposed to the conversion will cause points to be deducted, with the amount of the deduction based on the size of the faction and the intensity of their opposition effort.

Points for non-financial assistance from local government will be allocated based on the level of this support.

7. Speed and Ease of Conversion [§8014(a)(3)]. Maximum score: 10 points.

Factors to be considered include:

- The firmness of necessary financing commitments.
- The degree of uncertainty about whether the borrower(s) will qualify for financing.
- The level of resident support.
- The status of approvals required from the Departments of Real Estate or Corporations, local planning bodies, and other regulatory agencies.
- The potential for delays due to litigation, toxic waste problems, and other unique circumstances.

8. Below market financing [§8014(a)(11)]. Maximum score: 10 points.

Points will be awarded based on the net present value per low-income resident of any subsidy provided to the project. We will be using the difference between the subsidy amount (lump sum or periodic) and contrast it against what could be afforded in the private sector at market rates. This contrasted value will be discounted over time to reflect the cost of funds. It will then be divided into a per person (low income) contribution estimate for the project. The greater the contribution, the greater the points up to a maximum of ten. We will be using 8.5 percent interest rate with a term of 30 years for the market rate, and the discount rate will be at 9 percent.

To take into account the differing resources that are available to local public subsidy sources, however, a discount rate of 4 percent will be used for projects located in areas not served by a local agency that is either an “entitlement jurisdiction,” for purposes of the Community Development Block Grant (CDBG) program, or a “participating jurisdiction,” for purposes of the Home Investment Partnership (HOME) program.

MPROP will assign a subsidy value of $500 per low-income resident to projects with a commitment from a local public agency to provide loan origination services without charge.

9. Affordability for Low-Income Residents [§8014(a)(1)]. Maximum score: 10 points.

The impact of the conversion on affordability levels for low-income residents will be measured by the ratio of (a) average post-conversion housing costs as a percentage of resident household income, or 30 percent, whichever is greater, to (b) average pre-conversion housing costs as a percentage of income, or 30 percent, whichever is greater.

10. Security of Tenure [§8014(a)(5)]. Maximum score: 5 points.

Points will be awarded as follows:

Ownership Structure	**Point**
Individuals will have fee title to their lots	5
Individuals will have long-term leases from a corporation that will have fee title to the park.	3
All others.	1

11. Local Housing Programs [§8014(a)(6)]. Maximum score: 5 points

Projects located in jurisdictions that have local plans or programs aimed at the preservation of mobilehome parks, as affordable housing will receive the maximum score. Other projects will receive zero points.

12. Under served Areas [§8014(a)(6)]. Maximum score: 5 points

Points will be awarded based on whether there have been previous MPROP awards to projects located in the same county as the proposed project, and based on whether the proposed project is located in the northern or southern sections of the state.

Projects in County?	North or South?	Points
No	North	5
No	South	3
Yes	North	3
Yes	South	0

13. Priority for resident Owned Parks (Health & Safety Code 50786(e)(3)). Maximum score: 5 points

Points will be awarded based on whether or not the project will be converted to a Resident Owned Park.

PROJECT COST ADJUSTMENT FACTORS

An adjustment will be made on total per space project costs for the purpose of rating the applications under the "Project Cost" criterion. The adjustment will be made by multiplying a factor that is applicable to the location of the park and the total project costs per space. This information will be used to compare how well the park is priced based on housing in the region and the price trends for the region the park is located.

These factors represent the ratio of (a) the median sale price of detached homes in California to (b) the median sales price of detached homes in the local market area at the time of the MPROP application deadline. The source of these figures is the California Association of Realtors. The web address for the California Association of Realtors http://www.car.org/economics/archives/datajan00.html. The percentage difference between the median sales price of detached homes and to the statewide median sale price will become the factor used to determine a project cost level. Points will be awarded at how well the price relates to this criterion.

QUESTIONS

If you have any questions regarding this RFP, please contact either Lorraine French at (916) 327-3579 or Tad Thomas at (916) 327-8886.